

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

Thursday, June 21, 2018

8:30 A.M.

Members Present: Chairman Mark Dosch
Mr. Adam Miller
Ms. Casey Goodhouse
Senator Dick Dever
Ms. Kim Wassim
Ms. Mylynn Tufte
Ms. Yvonne Smith

VIA Conference phone: Representative Pamela Anderson
Ms. Rebecca Fricke, NDPERS
Ms. Amy Williams, Gabriel, Roeder & Smith
Mr. Lance Weiss, Gabriel, Roeder & Smith

Others Present: Mr. Scott Miller, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Jan Lund, NDPERS
Mr. Bryan Reinhardt, NDPERS
Mr. Derrick Hohbein, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. MaryJo Anderson, NDPERS
Mr. Anders Odegaard, Office of Attorney General
Mr. Jim Schaefer, Conduent
Mr. Steve Webster, SHP
Mr. Mike Klepatz, SHP
Mr. Danny Weiss, SHP
Mr. Tim Byrne, SHP
Mr. Kevin Schoenborn, BCBSND
Mr. Pat Bellmore, BCBSND
Mr. Ronald Leingang

Chairman Dosch called the meeting to order at 8:30 a.m..

Chairman Dosch introduced and welcomed Mr. Scott Miller as the new Executive Director. The Board expressed appreciation and gratitude to Ms. Sharon Schiermeister for her work in serving as the Interim Executive Director.

Chairman Dosch called for any questions or comments regarding the minutes of the May 8, 2018, meeting minutes.

SENATOR DEVER MOVED APPROVAL OF THE MAY 8, 2018, BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY MS. WASSIM AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

VENDOR INTERVIEWS

Mr. Miller indicated that the Board may need to go into Executive Session for discussing staff & consultant reviews of the proposals for the dental plan.

MS. WASSIM MOVED THAT THE BOARD ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC § 44-04-19.1(9) AND § 44-04-19.2 TO DISCUSS NEGOTIATING STRATEGY OR PROVIDE NEGOTIATING INSTRUCTIONS TO ITS ATTORNEY OR OTHER NEGOTIATOR AND NDCC §§ 44-04-17.1(2) AND (5), 44-04-18.4(6), AND 44-04-19.2(1) AND (6) TO HEAR AND DISCUSS ORAL PRESENTATIONS REGARDING BIDS OR PROPOSALS RECEIVED BY A PUBLIC ENTITY IN RESPONSE TO A REQUEST FOR PROPOSALS AND TO SEQUESTER ALL COMPETITORS IN A COMPETITIVE SELECTION OR HIRING PROCESS FROM THAT PORTION OF A PUBLIC MEETING WHEREIN PRESENTATIONS ARE HEARD OR INTERVIEWS ARE CONDUCTED. THE MOTION WAS SECONDED BY SENATOR DEVER.

Ayes: Ms. Goodhouse, Representative Anderson, Ms. Tufte, Ms. Smith, Mr. Adam Miller, Ms. Wassim and Chairman Dosch.

Nays: None

Absent: Mr. Seibel

MOTION PASSED

All trustees named above, PERS staff and Mr. Jim Schaefer were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 8:37 a.m.

The Board returned to open session at 11:18 a.m.

MS. WASSIM MOVED TO AWARD THE DENTAL PLAN CONTRACT TO DELTA DENTAL. THE MOTION WAS SECONDED BY REPRESENTATIVE ANDERSON.

Ayes: Ms. Goodhouse, Ms. Wassim, Representative Anderson and Mr. Adam Miller.

Nays: Senator Dever, Ms. Tufte, Ms. Smith and Chairman Dosch.

Absent: Mr. Seibel

MOTION FAILED (TIE VOTE)

MS. TUFTE MOVED TO AWARD THE DENTAL PLAN CONTRACT TO METLIFE WITH THE CONDITION THAT THE POTENTIAL FOR A RATE INCREASE (DUE TO ACA) BE OFF THE TABLE. THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Senator Dever, Ms. Tufte, Ms. Smith and Chairman Dosch.

Nays: Ms. Goodhouse, Ms. Wassim, Representative Anderson and Mr. Adam Miller.

Absent: Mr. Seibel

MOTION FAILED (TIE VOTE)

MS. SMITH MOVED TO TABLE BOARD ACTION AND FURTHER DISCUSSION OF AWARDING THE DENTAL PLAN CONTRACT UNTIL THE JULY BOARD MEETING. THE MOTION WAS SECONDED BY MS. TUFTE.

Ayes: Ms. Goodhouse, Ms. Wassim, Representative Anderson, Mr. Adam Miller, Senator Dever, Ms. Tufte, Ms. Smith and Chairman Dosch.

Nays: None.

Absent: Mr. Seibel

MOTION PASSED

RETIREMENT

Employer Group Termination

Ms. Anderson recapped discussion from the May meeting concerning inquiries from political subdivisions regarding withdrawal from the NDPERS retirement program. Ms. Anderson and Mr. Miller provided a summary of withdrawal options. The Board would need to first determine the type of employer withdrawal allowable under NDAC 71-02-08-02 – a partial withdrawal or a full withdrawal. Next, the board would need to provide guidance to staff and Gabriel, Roeder, Smith (GRS) on the assumptions and calculation methodology to be used for the employer withdrawal policy. Discussion followed.

MS. WASSIM MOVED TO DIRECT STAFF TO OFFER ONLY A FULL WITHDRAWAL FROM THE NDPERS RETIREMENT PROGRAM. THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Ms. Goodhouse, Ms. Wassim, Representative Anderson, Mr. Adam Miller, Senator Dever, Ms. Tufte, Ms. Smith and Chairman Dosch.

Nays: None.

Absent: Mr. Seibel

MOTION PASSED

MS. SMITH MOVED TO FURTHER DIRECT STAFF TO OFFER ONLY A FULL WITHDRAWAL FROM THE NDPERS RETIREMENT PROGRAM USING THE FOLLOWING ASSUMPTIONS: 1) THE ASSUMED RATE OF RETURN REQUIRED BY ADMINISTRATIVE RULE; 2) THE MOST RECENT MORTALITY TABLES WITH THE MOST RECENT MORTALITY IMPROVEMENT SCALES THAT ARE AVAILABLE; 3) BENEFITS ARE ASSUMED TO COMMENCE AT EARLIEST ELIGIBILITY; 4) A 5%

ADMINISTRATIVE EXPENSE LOAD; 5) THE SIMPLIFIED ASSET ALLOCATION METHOD RECOMMENDED BY GRS; AND, 6) NO FUTURE BENEFIT ACCRUALS AFTER A FULL WITHDRAWAL. THE MOTION WAS SECONDED BY MR. ADAM MILLER.

Ayes: Ms. Goodhouse, Ms. Wassim, Representative Anderson, Mr. Adam Miller, Senator Dever, Ms. Tufte, Ms. Smith and Chairman Dosch.

Nays: None.

Absent: Mr. Seibel

MOTION PASSED

THE BOARD DIRECTED STAFF TO EXPLORE OPTIONS FOR EMERGENCY RULES.

Quarterly Investment Report

Mr. Reinhardt summarized the 2018 Quarter 1 Investment report for the 401(a) and 457 companion plans as reviewed by the Investment Subcommittee.

MR. ADAM MILLER MOVED TO APPROVE THE INVESTMENT POLICIES FOR THE 457 COMPANION PLAN AND 401(A) DEFINED CONTRIBUTION PLAN THAT REPLACE THE VANGUARD 500 INDEX FUND – VFIAX WITH THE VANGUARD 500 INDEX FUND – VINIX. THE MOTION WAS SECONDED BY MS. WASSIM.

Ayes: Ms. Goodhouse, Ms. Wassim, Representative Anderson, Mr. Adam Miller, Senator Dever, Ms. Tufte, Ms. Smith and Chairman Dosch.

Nays: None.

Absent: Mr. Seibel

MOTION PASSED

Job Service Asset Allocation

Mr. Reinhardt reported that the Investment Subcommittee reviewed the Job Service Investment Policy and recommends further de-risking the plan by making an asset allocation change from 70/30 fixed income/equities ratio to an 80/20 allocation.

SENATOR DEVER MOVED TO APPROVE THE UPDATED JOB SERVICE INVESTMENT POLICY PORTFOLIO B 80/20 FIXED INCOME/EQUITIES RATIO ASSET ALLOCATION. THE MOTION WAS SECONDED BY MS. GOODHOUSE.

Ayes: Ms. Goodhouse, Ms. Wassim, Representative Anderson, Mr. Adam Miller, Senator Dever, Ms. Tufte, Ms. Smith and Chairman Dosch.

Nays: None.

Absent: Mr. Seibel

MOTION PASSED

GROUP INSURANCE

Tobacco Cessation Program

Ms. Schiermeister provided details about the Tobacco Cessation Program sponsored by NDPERS, funded by an appropriation to the State Health Department and Sanford Health Plan being the plan administrator and fiscal agent for the grant. This program provides employee tobacco education and cessation programs for state employees, and continues for a second year from July 1, 2018 to June 30, 2018. The cost of the program is covered by a \$25,000 grant and there is no additional expense to PERS or the member.

MS. SMITH MOVED TO APPROVE THE TOBACCO CESSATION PROGRAM FOR 2018-2019 BASED ON THE RECOMMENDATION FROM THE NORTH DAKOTA DEPARTMENT OF HEALTH. THE MOTION WAS SECONDED BY SENATOR DEVER.

Ayes: Ms. Goodhouse, Ms. Wassim, Representative Anderson, Mr. Adam Miller, Senator Dever, Ms. Tufte, Ms. Smith and Chairman Dosch.

Nays: None.

Absent: Mr. Seibel

MOTION PASSED

Health Plan RFP

Mr. Reinhardt reported on the progress made by staff and Deloitte in preparing the health plan request for proposal should the Board choose to go out to bid.

Retiree Subcommittee Update

Ms. Schiermeister provided a summary of three topics relating to the retiree health insurance and prescription drug plans that were discussed at the May 15th Retiree Subcommittee meeting. Staff will provide more information at a future meeting about the Medicare Supplemental policy and whether it applies to the NDPERS plan, and the Medicare Part D Plan renewal and RFP process.

Heart of America

Ms. Schiermeister reviewed Board Action taken in February to discontinue the Heart of American HMO contract. At that time it was believed there were no participants in the plan. Since that meeting it was found that there is one NDPERS-eligible employee participating in the Heart of America product for the current plan year ending June 30, 2018. The Board was updated on progress made regarding compliance with Federal Law governing notification to participants of the discontinuation and provisions for the existing participant to maintain insurance coverage in the plan from July 1, 2018 to June 30, 2019. It was noted that the contract will sunset on June 30, 2018 and be closed to any new participants.

Managed Care Option

Mr. Miller provided an overview of the health plan challenges going into 2019-21. Mr. Miller reported on the progress made pursuant to directives provided to the staff at the May meeting. Staff has been working with Sanford on a managed care option that would apply across all of the plan designs, as well as a new North Dakota-focused network that provides enhanced wellness benefits that would be budget neutral. More information will be provided at the July meeting regarding managed care with the focus to provide more effective and efficient care.

FLEXCOMP

FlexComp RFP Evaluations

Mr. Miller indicated that the Board may need to go into Executive Session for discussing staff & consultant reviews of the proposals for the FlexComp Plan.

MS. WASSIM MOVED THAT THE BOARD ENTER EXECUTIVE SESSION PURSUANT TO NDCC § 44-04-19.1(9) AND § 44-04-19.2 TO DISCUSS NEGOTIATING STRATEGY OR PROVIDE NEGOTIATING INSTRUCTIONS TO ITS ATTORNEY OR OTHER NEGOTIATOR. THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Ms. Goodhouse, Representative Anderson, Ms. Tufte, Senator Dever, Ms. Smith, Mr. Adam Miller, Ms. Wassim and Chairman Dosch.

Nays: None

Absent: Mr. Seibel

MOTION PASSED

All trustees named above, PERS staff and Mr. Jim Schaefer were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 12:26 p.m.

The Board returned to open session at 12:46 p.m.

THE BOARD DIRECTED STAFF TO OFFER INTERVIEWS TO THE TOP 3 VENDORS, TO REQUEST A BEST AND FINAL OFFER, AND TO ARRANGE FOR INTERVIEWS TO BE CONDUCTED AT A SPECIAL BOARD MEETING.

MISCELLANEOUS

Election Results

Ms. Lund reported that the Election Subcommittee met on Monday, June 18th to canvass the ballots received for the Active Member representative. The Election Subcommittee concurred that Kim Wassim won the vote as the new elected member representative on the NDPERS Board. Minutes of the subcommittee meeting were included for the Board's review.

MS. TUFTE MOVED TO ACCEPT THE ELECTION RESULTS AS REPORTED BY THE SUBCOMMITTEE AND RECOGNIZE KIM WASSIM AS THE NEWLY ELECTED BOARD MEMBER. THE MOTION WAS SECONDED BY SENATOR DEVER.

Ayes: Ms. Goodhouse, Representative Anderson, Mr. Adam Miller, Senator Dever, Ms. Tufte, Ms. Smith and Chairman Dosch.

Nays: None.

Abstain: Ms. Wassim

Absent: Mr. Seibel

MOTION PASSED

Budget

Ms. Schiermeister recapped discussion from the May Board meeting regarding the Governor's budget guidelines. Staff conducted a thorough analysis of the services that are provided and ways to reduce spending and gain efficiencies in order to meet the proposed appropriation reduction. Ms. Schiermeister outlined specific operational savings that can be realized without reducing staff or services. The staff looked at services provided and programs offered that would need to be discontinued in order to achieve the Governor's budget reduction objectives. Ms. Schiermeister presented three options for the Board's consideration and reviewed associated budget savings for each. Staff will bring back the actual proposed budget for further review at the July meeting. Discussion followed.

MS. GOODHOUSE MOVED TO INCLUDE BUDGET REDUCTION OPTION #2 TO REDUCE 2 FTE BY NO LONGER OFFERING NON-COMPANION PLAN DEFERRED COMPENSATION PROVIDERS; DISCONTINUE PART D PLAN; ELIMINATE THE PERSLINK MOBILE APP; AND ELIMINATE TEMPORARY POSITIONS FOR A BUDGET SAVINGS OF \$593,000. THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Ms. Goodhouse, Representative Anderson, Mr. Adam Miller, Senator Dever, Ms. Tufte, Ms. Wassim, Ms. Smith and Chairman Dosch.

Nays: None.

Absent: Mr. Seibel

MOTION PASSED

Legislative Committees Update

Ms. Schiermeister provided a brief update on recent meetings of the Employee Benefits Programs Committee, Administrative Rules Committee and the Health Care Reform Review Committee.

Special Board Meeting

Mr. Miller indicated there are two time-sensitive items, FlexComp Vendor Interviews and Health Plan RFP, requiring Board Action that make it necessary to hold a Special Board

Meeting. Staff polled Board members on their availability and it was determined the Special Meeting will be held on Friday, August 3rd at ND Association of Counties.

Chairman Dosch called for any other business or comments. Hearing none the meeting was adjourned at 1:29 p.m.

Prepared by,

Jan Lund
Assistant to the Board